



# NORTH CAROLINA INVESTMENT AUTHORITY

## **Investment Grade Fixed Income Program Review**

August 28, 2026



BRADFORD B. BRINER  
STATE TREASURER OF NORTH CAROLINA



## **NCIA Investment Grade Fixed Income Team**

| <b>NCIA Investment Professional</b>   | <b>Position</b>             | <b>Areas of Focus</b>                                          | <b>NCIA Tenure</b> | <b>Industry Experience</b> |
|---------------------------------------|-----------------------------|----------------------------------------------------------------|--------------------|----------------------------|
| Jeff Smith, CFA                       | Director                    | IG Fixed Income Program                                        | 35 Years           | 35 Years                   |
| Brett Hall<br>MBA                     | Assistant Director          | Head of Cash Management Program<br>Investment Grade Portfolios | 27 Years           | 29 Years                   |
| Mike Nichols, CFA                     | Senior Portfolio Manager    | Head of Credit Research                                        | 18 Years           | 25 Years                   |
| Carlene Hughes                        | Portfolio Manager           | Credit Research                                                | 25 years           | 29 years                   |
| Rekha Krishnan<br>MBA                 | Associate Portfolio Manager | Cash Management Program                                        | 5 years            | 22 years                   |
| Chris Ward<br>CFA Level III Candidate | Associate Portfolio Manager | Credit Research                                                | 13 years           | 13 years                   |

# Cash Management (STIF) Program Overview



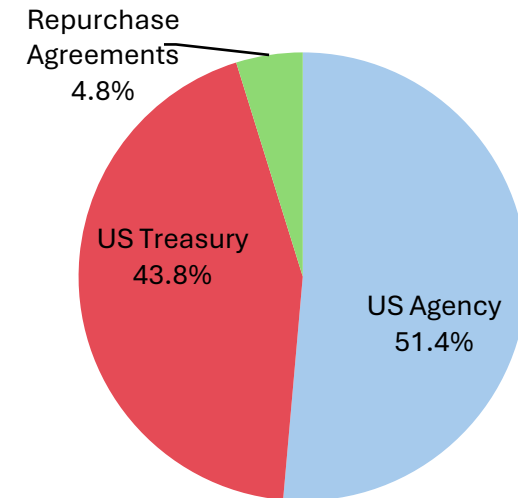


## Objectives

- Preserve capital, maintain liquidity for the total fund and other participants
- Earn stable returns in high-quality short-duration instruments

| Portfolio Characteristics          | Month ending 06/30/26 |
|------------------------------------|-----------------------|
| Current Annualized Net Cash Return | 3.97%                 |
| Effective Duration                 | 1.27                  |
| Average Maturity (Yrs)             | 2.2                   |
| Average Credit Rating (Moody's)    | Aa1                   |
| Average Price                      | 100.03                |
| Average Coupon                     | 4.03%                 |

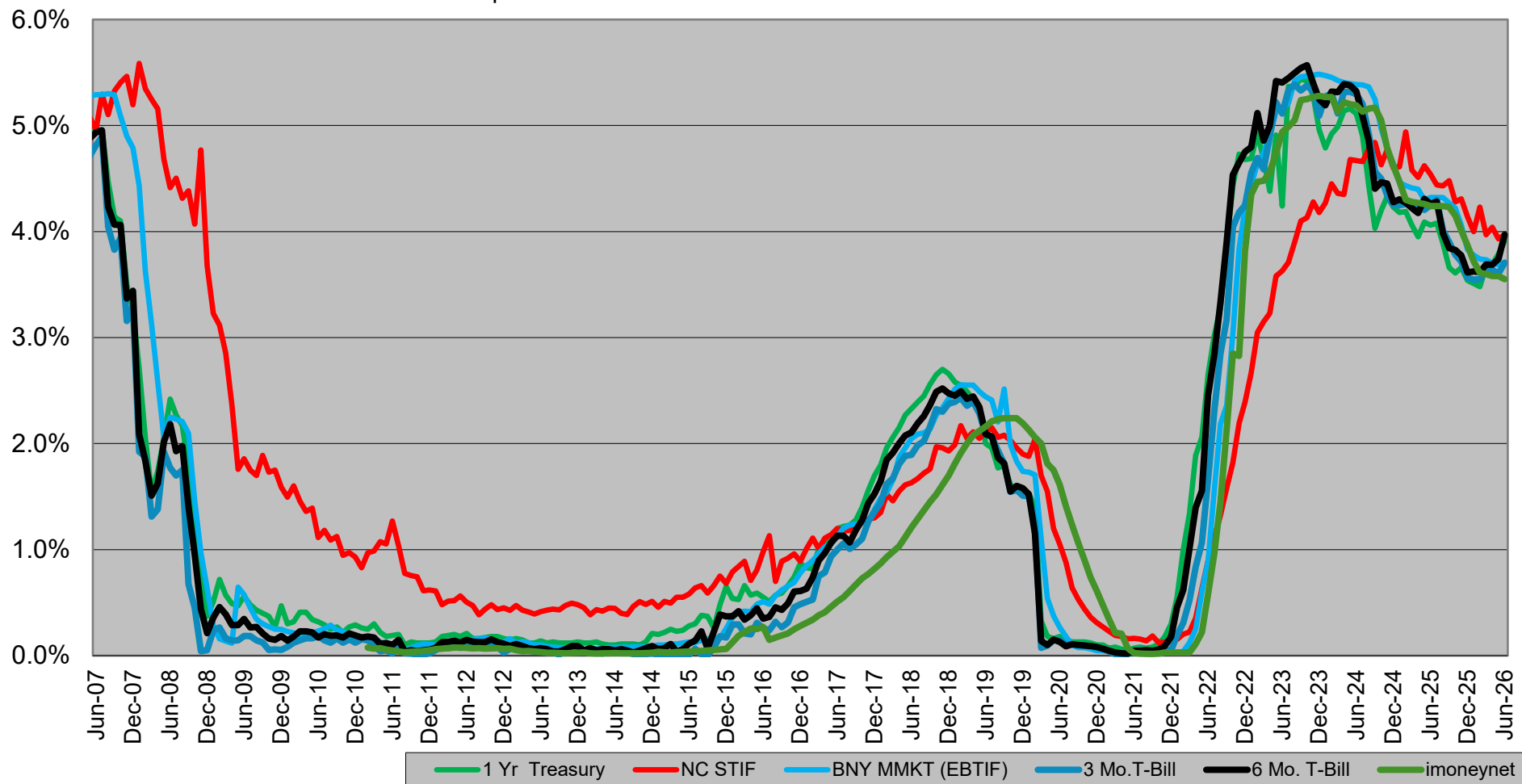
## STIF Allocation





## Short Term Portfolio (STIF) Rate History

\$ 48.5 Billion AUM as of 06/30/26



SOURCE: Bloomberg and BNY Mellon

# Investment Grade Fixed Income overview





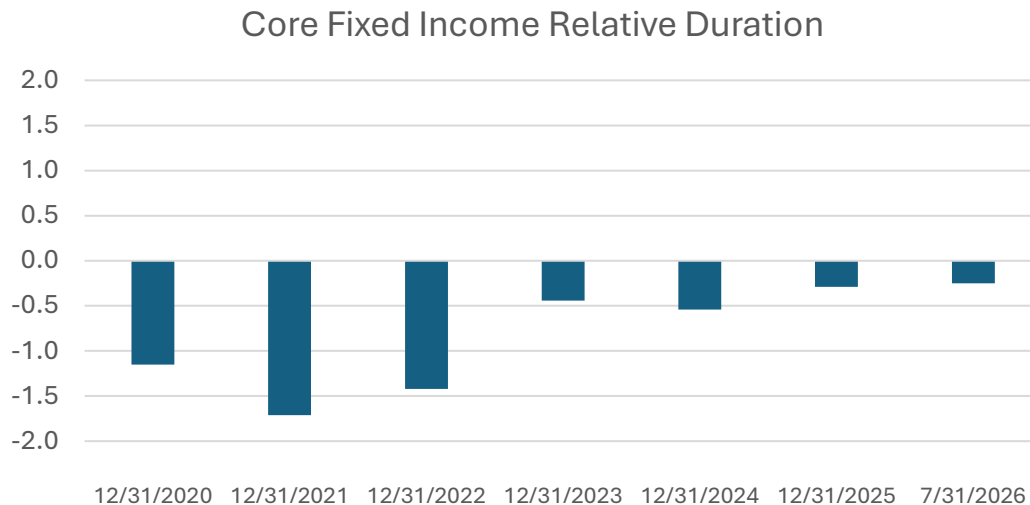
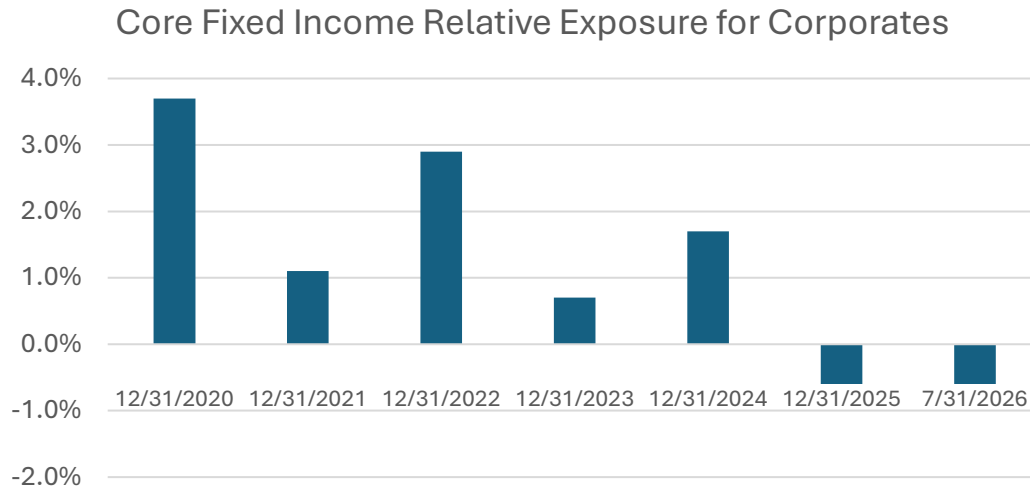
## Investment Grade Fixed Income Allocation as of 8/17/26

|                                             | Market Value<br>(\$MM) | %             | Range      |            |            | Target<br>Relative % | Target<br>Relative \$ |
|---------------------------------------------|------------------------|---------------|------------|------------|------------|----------------------|-----------------------|
|                                             |                        |               | Min        | Target     | Max        |                      |                       |
| <b>Equity</b>                               | <b>\$91,896</b>        | <b>61.25%</b> | <b>55%</b> | <b>62%</b> | <b>75%</b> | <b>-0.75%</b>        | <b>(\$1,128)</b>      |
| <b>Corporate Equity</b>                     | <b>69,536</b>          | <b>46.35%</b> | <b>23%</b> | <b>44%</b> | <b>66%</b> | <b>2.35%</b>         | <b>3,519</b>          |
| <i>Public Equity</i>                        | <i>61,004</i>          | <i>40.66%</i> | <i>20%</i> |            | <i>48%</i> |                      |                       |
| <i>Private Equity</i>                       | <i>8,531</i>           | <i>5.69%</i>  | <i>3%</i>  |            | <i>18%</i> |                      |                       |
| <b>Real Asset Equity</b>                    | <b>22,360</b>          | <b>14.90%</b> | <b>6%</b>  | <b>18%</b> | <b>28%</b> | <b>-3.10%</b>        | <b>(\$4,647)</b>      |
| <i>Real Estate</i>                          | <i>12,265</i>          | <i>8.17%</i>  | <i>3%</i>  |            | <i>10%</i> |                      |                       |
| <i>Infrastructure and Natural Resources</i> | <i>10,094</i>          | <i>6.73%</i>  | <i>3%</i>  |            | <i>18%</i> |                      |                       |
| <b>Debt</b>                                 | <b>\$50,405</b>        | <b>33.59%</b> | <b>25%</b> | <b>35%</b> | <b>45%</b> | <b>-1.41%</b>        | <b>(\$2,109)</b>      |
| <b>Investment Grade</b>                     | <b>33,464</b>          | <b>22.30%</b> | <b>15%</b> | <b>25%</b> | <b>37%</b> | <b>-2.70%</b>        | <b>(\$4,046)</b>      |
| Credit                                      | 13,740                 | 9.16%         | 3%         | 9%         | 14%        | 0.16%                | 236                   |
| Cash                                        | 3,201                  | 2.13%         | 0%         | 1%         | 5%         | 1.13%                | 1,701                 |
| <b>Multi-Strategy</b>                       | <b>\$7,738</b>         | <b>5.16%</b>  | <b>0%</b>  | <b>3%</b>  | <b>10%</b> | <b>2.16%</b>         | <b>\$3,237</b>        |
| <b>Grand Total</b>                          | <b>\$150,039</b>       |               |            |            |            |                      |                       |

- The allocation reflects the completion of rebalancing \$1.5 billion out of investment grade fixed income in late July and early August.



## Portfolio Management Strategies

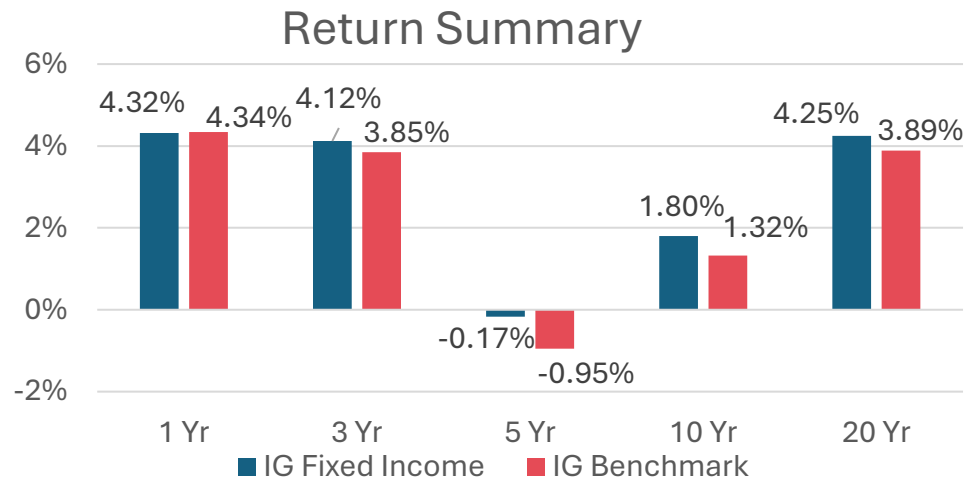
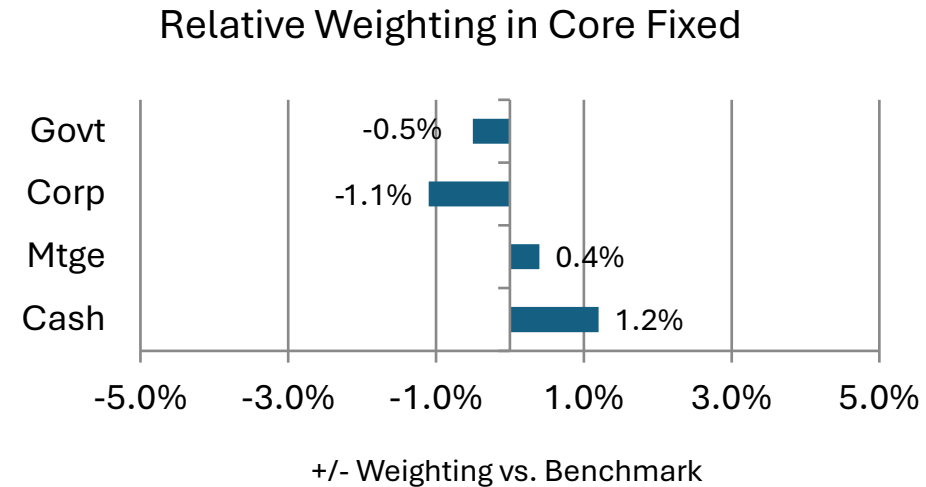
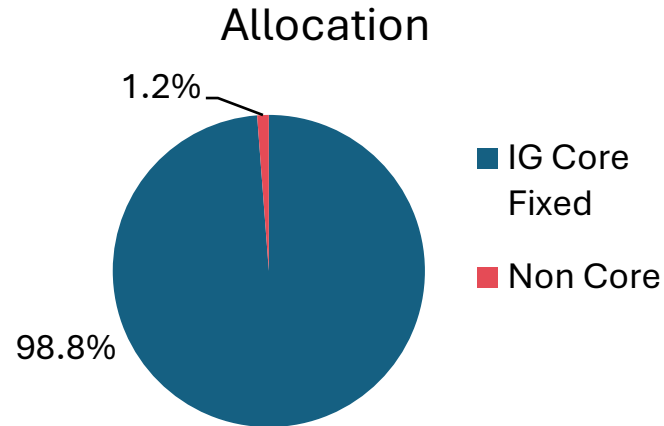


- The portfolio is actively managed based on market conditions and valuations. Monitoring and positioning the portfolio from a duration, sector and company specific (issuer) basis.
- Take advantage of dislocations when periodically available, while grinding out excess return over the long term through credit selection and curve positioning.
- The credit research team establishes over/under weight recommendations at the issuer level.
- Index data
  - 1100+ issuers
  - 6900+ cusips
- Core IG portfolio owns roughly half of those issuers/cusips



## Investment Grade Fixed Income Profile

As of June 30, 2026



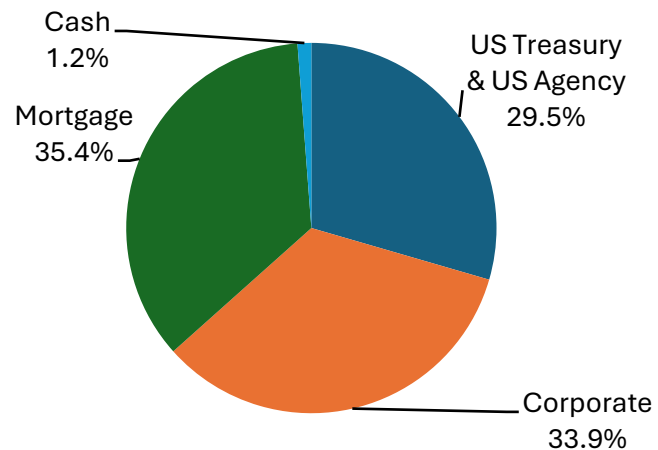
- Investment Grade Fixed Income continues to outperform over almost all time periods.
- The portfolio's performance over the last year is reflective of taking a neutral position due to market and geopolitical uncertainty.



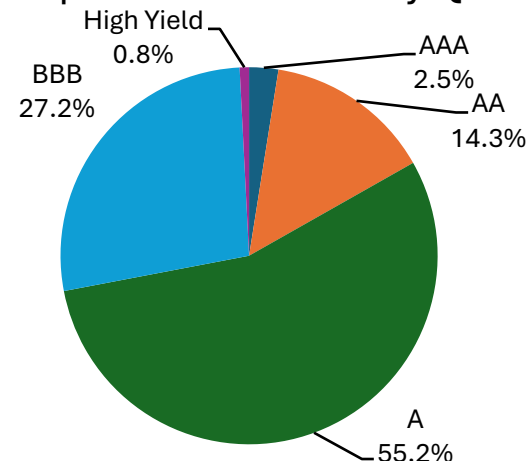
## Core Fixed Income (LTIP)

As of June 30, 2026

LTIP Allocation



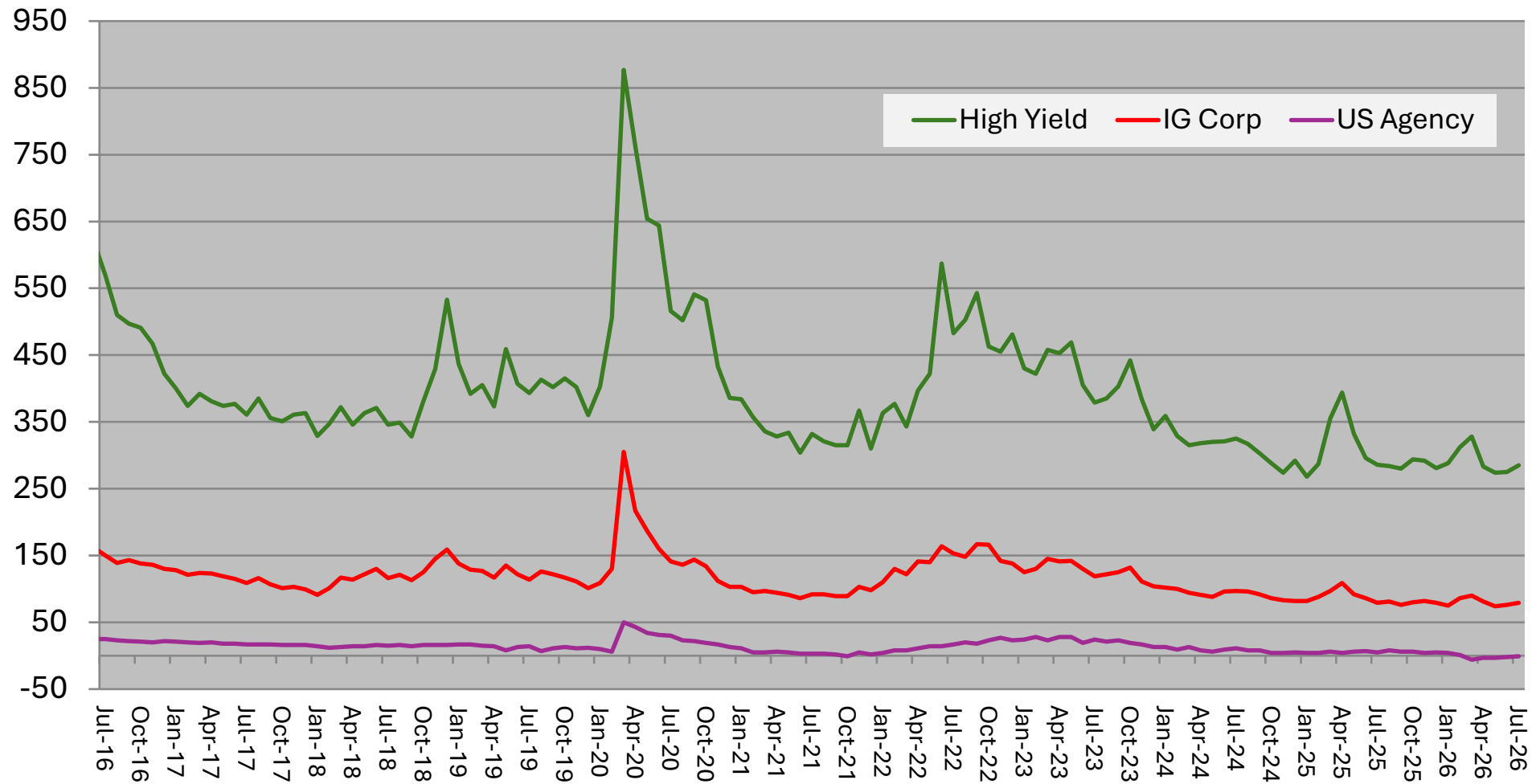
Corporate Allocation by Quality



| Portfolio Characteristics<br>(ex cash) | As of 6/30/26 | ICE BOA Index (H167) |
|----------------------------------------|---------------|----------------------|
| Yield to Maturity                      | 5.0%          | 5.0%                 |
| Duration                               | 8.0           | 8.3                  |
| Average Maturity (Yrs)                 | 11.7          | 12.3                 |
| Average Credit Rating                  | AA            |                      |
| Average Coupon                         | 4.2%          |                      |

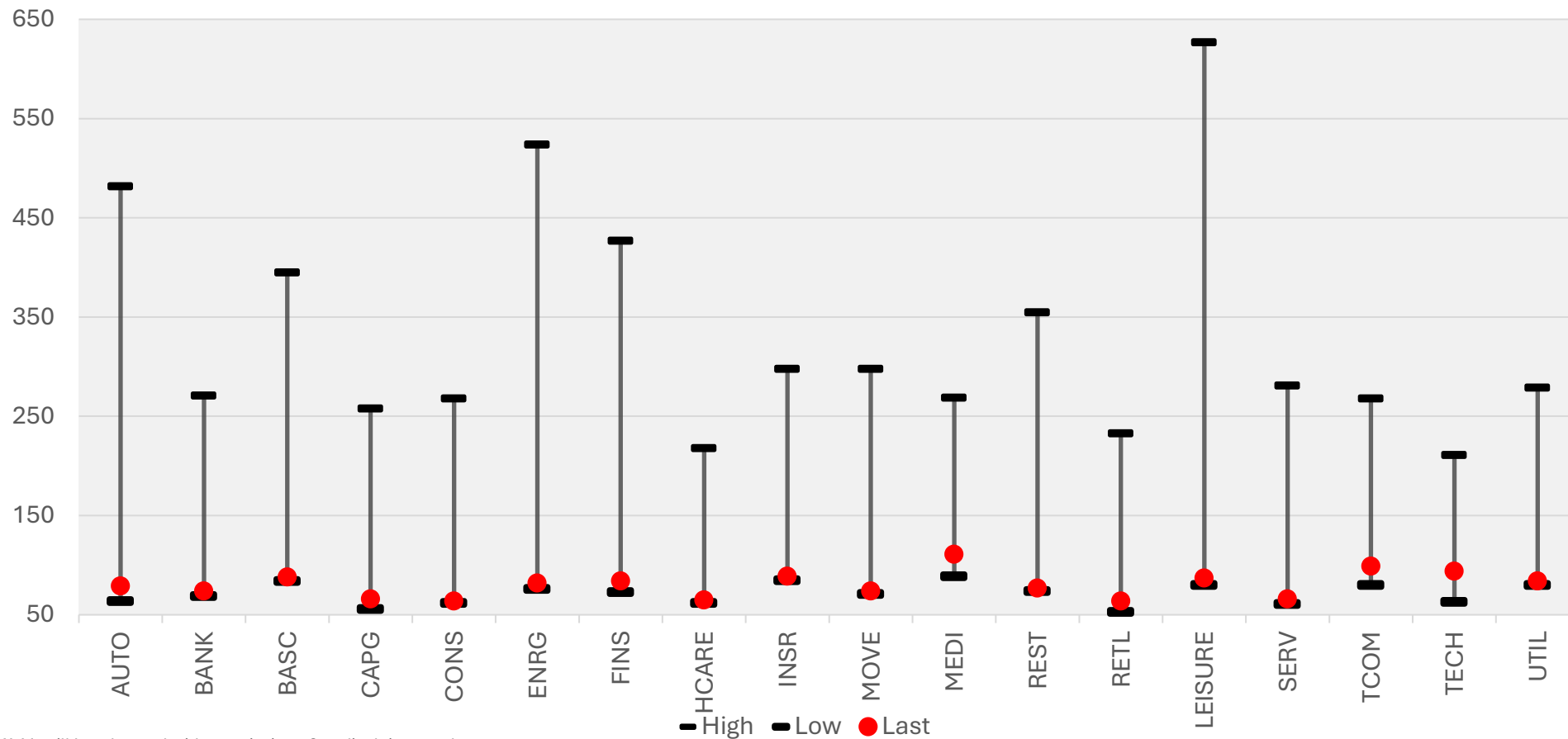


## Spread History Credit Markets





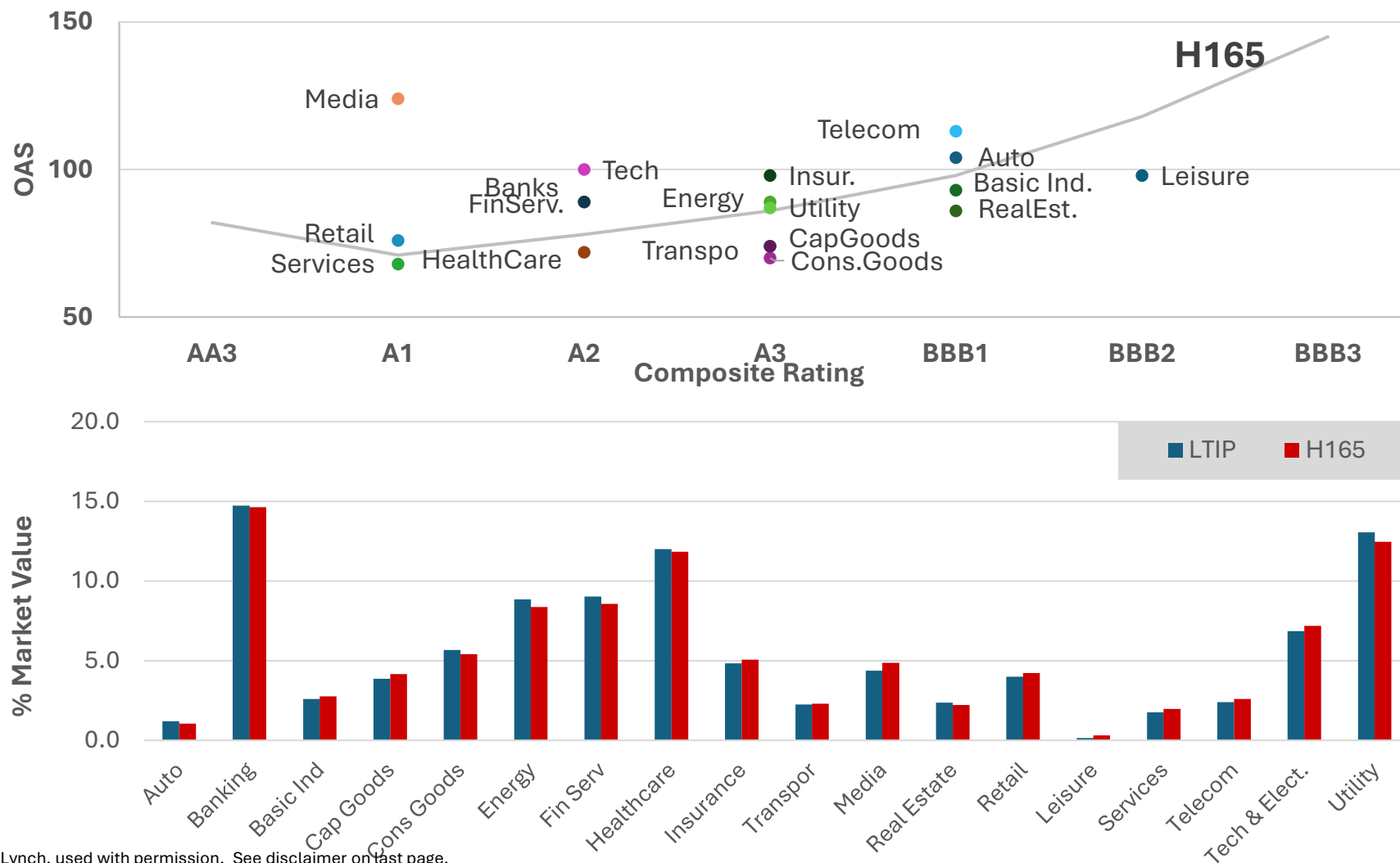
## Sector OAS Range (10 years ending 07/31/26)



SOURCE: BofA Merrill Lynch, used with permission. See disclaimer on last page.



## Corporate Relative Value and LTIP Allocation by Sector





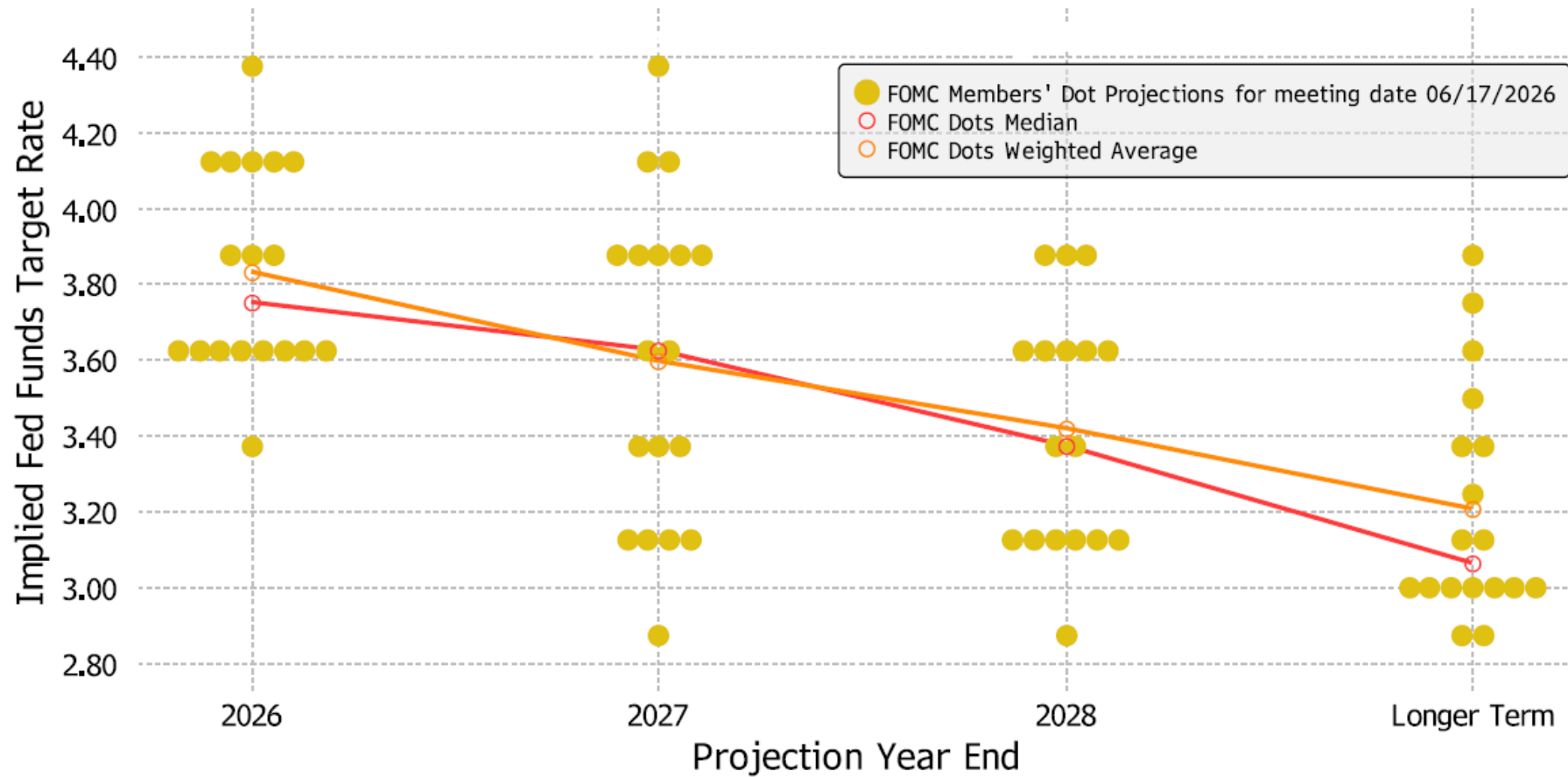
## Range Bound UST Markets



- Despite all the uncertainty around domestic policies, tariffs, global conflicts and inflationary concerns, US Treasuries have traded in a consistent range for 3 years



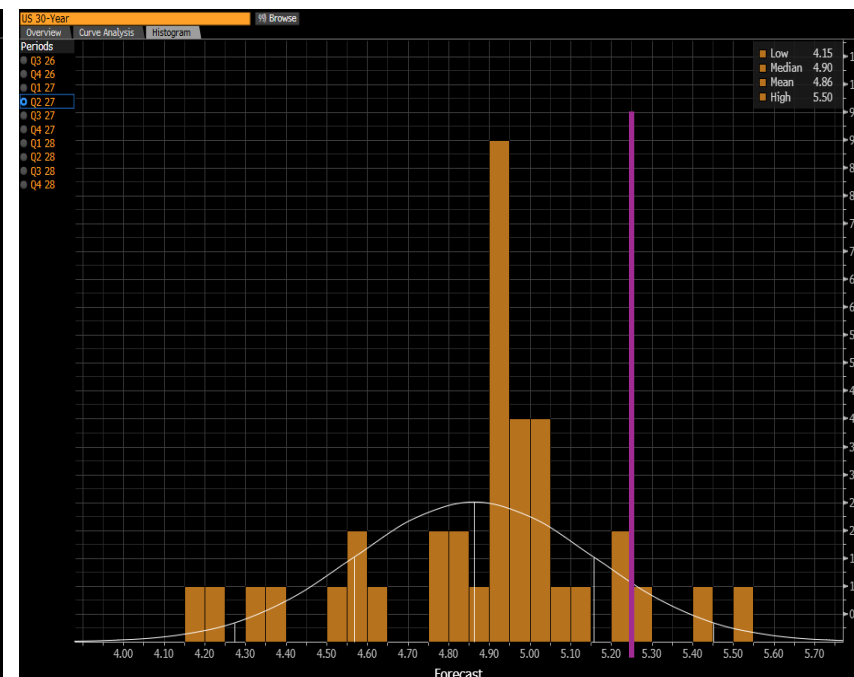
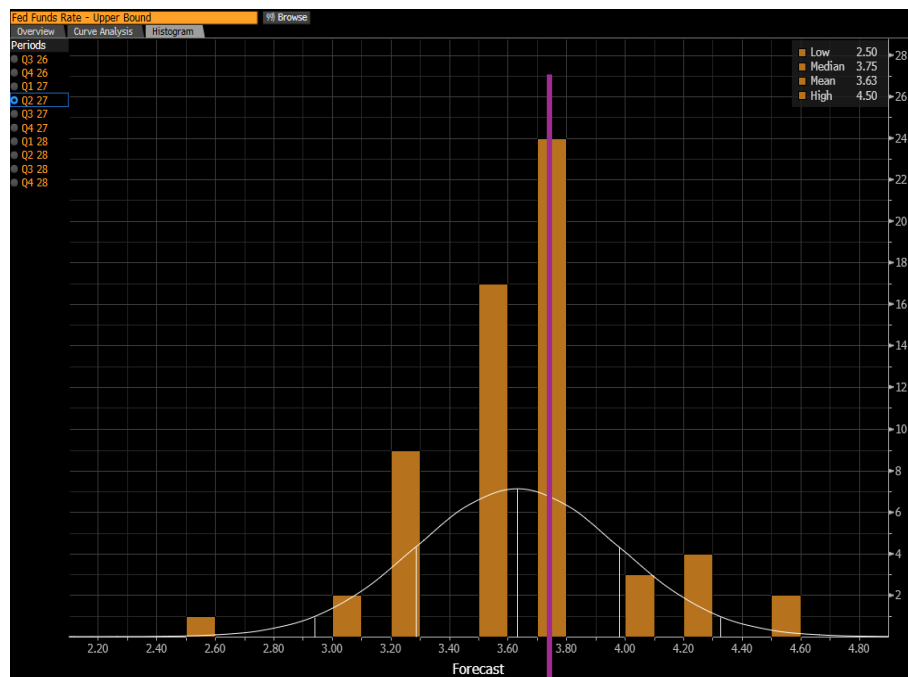
## Fed Dot Plot





## Consensus is for Moderate Rate Decreases

|                              | Mkt Yld | Q3 26 | Q4 26 | Q1 27 | Q2 27 | Q3 27 | Q4 27 | Q1 28 |
|------------------------------|---------|-------|-------|-------|-------|-------|-------|-------|
| United States                |         |       |       |       |       |       |       |       |
| US 30-Year                   | 5.25    | 5.00  | 4.97  | 4.93  | 4.89  | 4.86  | 4.85  | 4.77  |
| US 10-Year                   | 4.67    | 4.51  | 4.45  | 4.41  | 4.37  | 4.33  | 4.33  | 4.26  |
| US 5-Year                    | 4.33    | 4.18  | 4.14  | 4.08  | 4.02  | 3.95  | 3.95  | 3.91  |
| US 2-Year                    | 4.15    | 4.11  | 4.03  | 3.93  | 3.85  | 3.79  | 3.74  | 3.61  |
| US 3-Month Term SOFR         | 3.73    | 3.70  | 3.69  | 3.63  | 3.57  | 3.51  | 3.47  | 3.39  |
| Fed Funds Rate - Upper Bound | 3.75    | 3.76  | 3.80  | 3.78  | 3.68  | 3.62  | 3.55  | 3.42  |
| Fed Funds Rate - Lower Bound | 3.50    | 3.52  | 3.55  | 3.53  | 3.42  | 3.36  | 3.29  | 3.17  |
| 2 Year - 10 Year Spread      |         | .40   | .42   | .48   | .52   | .54   | .59   | .65   |



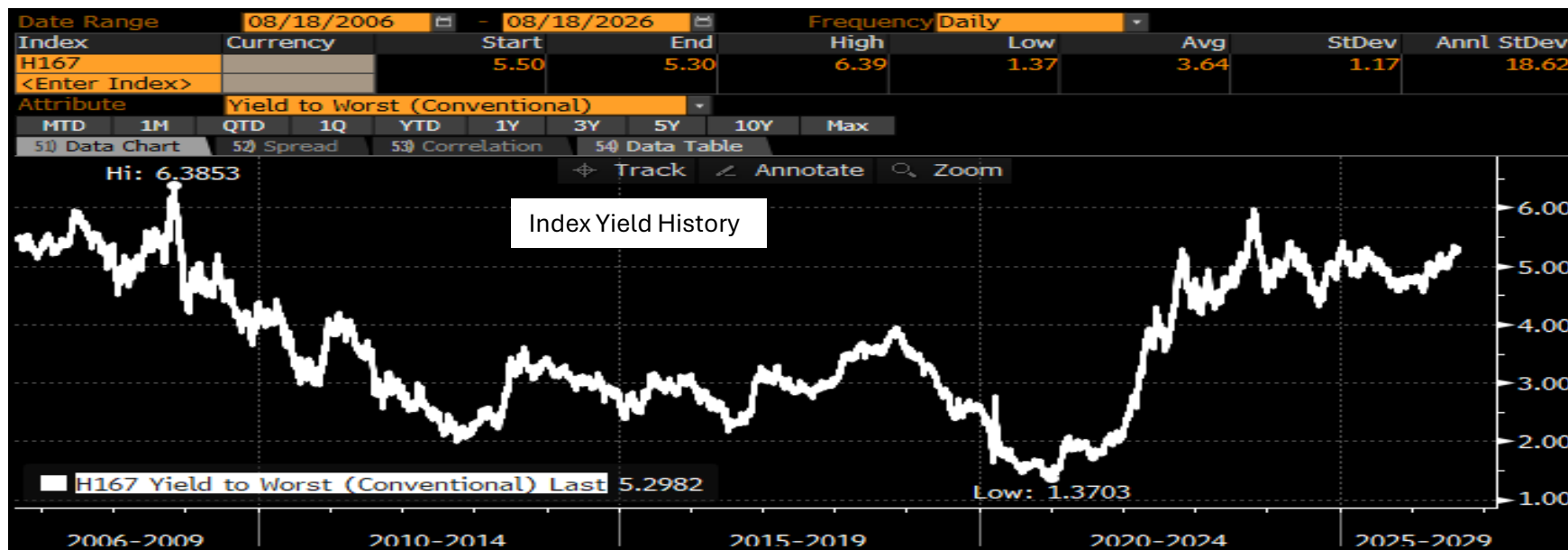
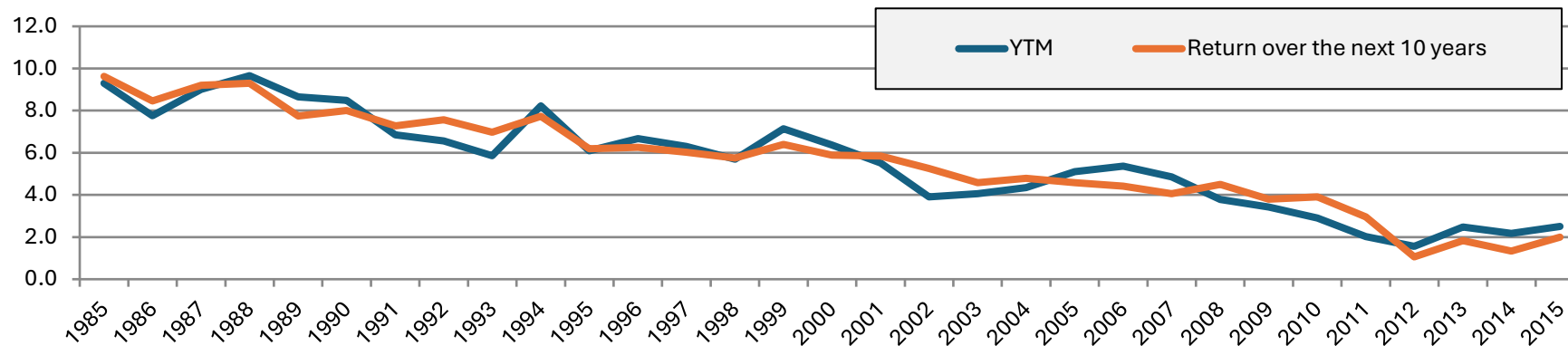


# NORTH CAROLINA INVESTMENT AUTHORITY

Bradford B. Briner, State Treasurer and Chairman of the Board

## YTM vs Realized 10 Yr. Return

BOAML Domestic Master Index



SOURCE: Bloomberg



## Near Term Strategies

- Patience on corporate bonds while spreads remain near historical lows.
- Given lack of conviction around direction and destination of geopolitical conflicts, midterm impacts and Fed policies, remain close to duration neutral.

## Initiatives

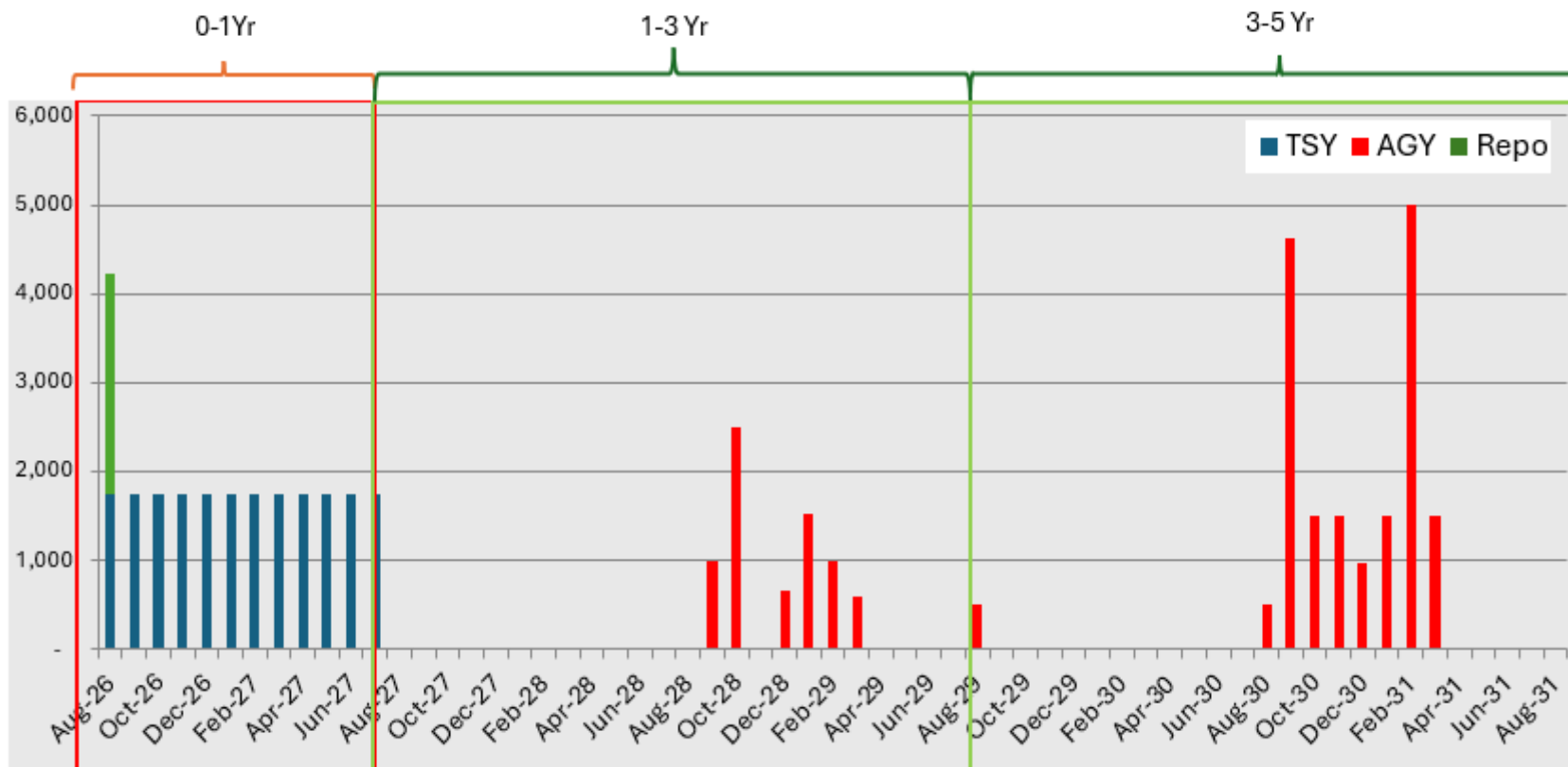
- Integration of new credit research team member
- AI integration into workflow
  - Tender/exchange analysis
  - Credit research productivity
  - Trading desk productivity
- Evaluate Internal High Yield capabilities

## Appendix





## STIF Maturity Distribution



SOURCE: BNY Mellon



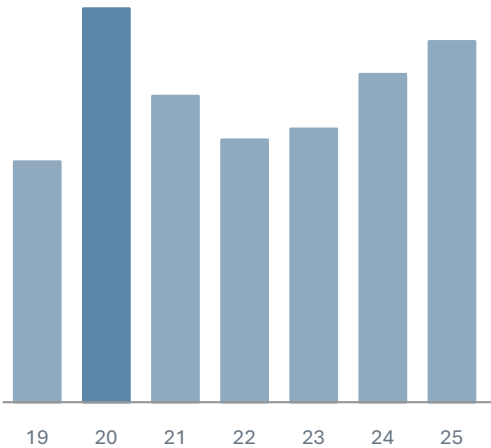
# USD Investment Grade Primary Market

Gross USD-denominated investment-grade issuance | \$ trillions

| 2019     | ~\$1.1T     | Pre-COVID baseline                        |
|----------|-------------|-------------------------------------------|
| 2020     | ~\$1.8T     | Record COVID liquidity / refinancing wave |
| 2021     | ~\$1.4T     | Normalization; still elevated             |
| 2022     | ~\$1.2T     | Higher rates / weaker issuance            |
| 2023     | ~\$1.2–1.3T | Relatively flat recovery                  |
| 2024     | ~\$1.5T     | Strong rebound / record-ish pace          |
| 2025     | ~\$1.6–1.7T | Another very strong / record year         |
| 2026 YTD | ~\$1.5T     | Q1 exceptionally heavy                    |

## Issuance pattern

2020 spike



Pandemic-era liquidity and refinancing drove a historic surge.

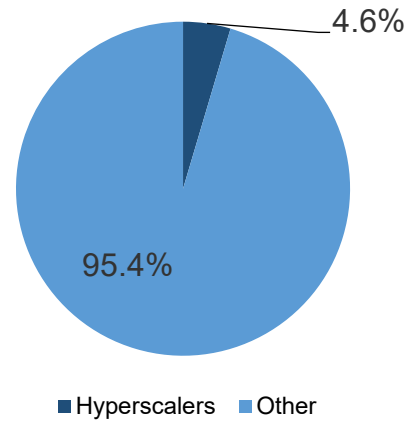
## 2024–26 reacceleration

Primary supply returned to a very strong pace after the 2022–23 slowdown.

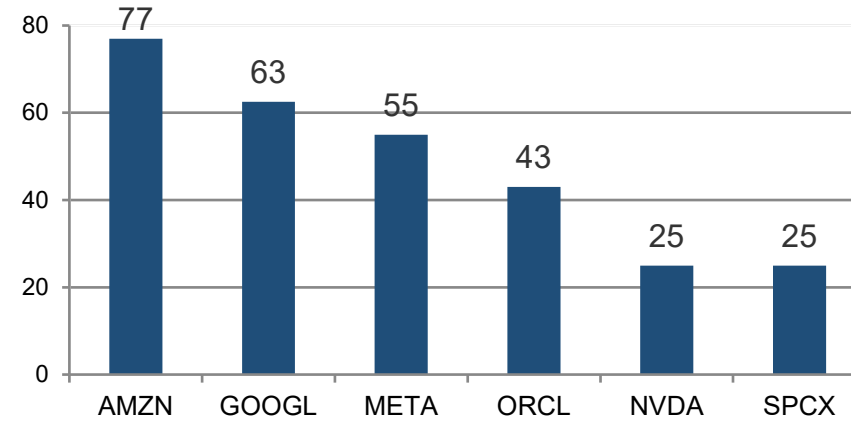


## Hyperscalers – Investment Grade Fixed Income

Hyperscaler Share of Corporate Index



Gross USD Issuance – Since June 30, 2025 (\$bn)

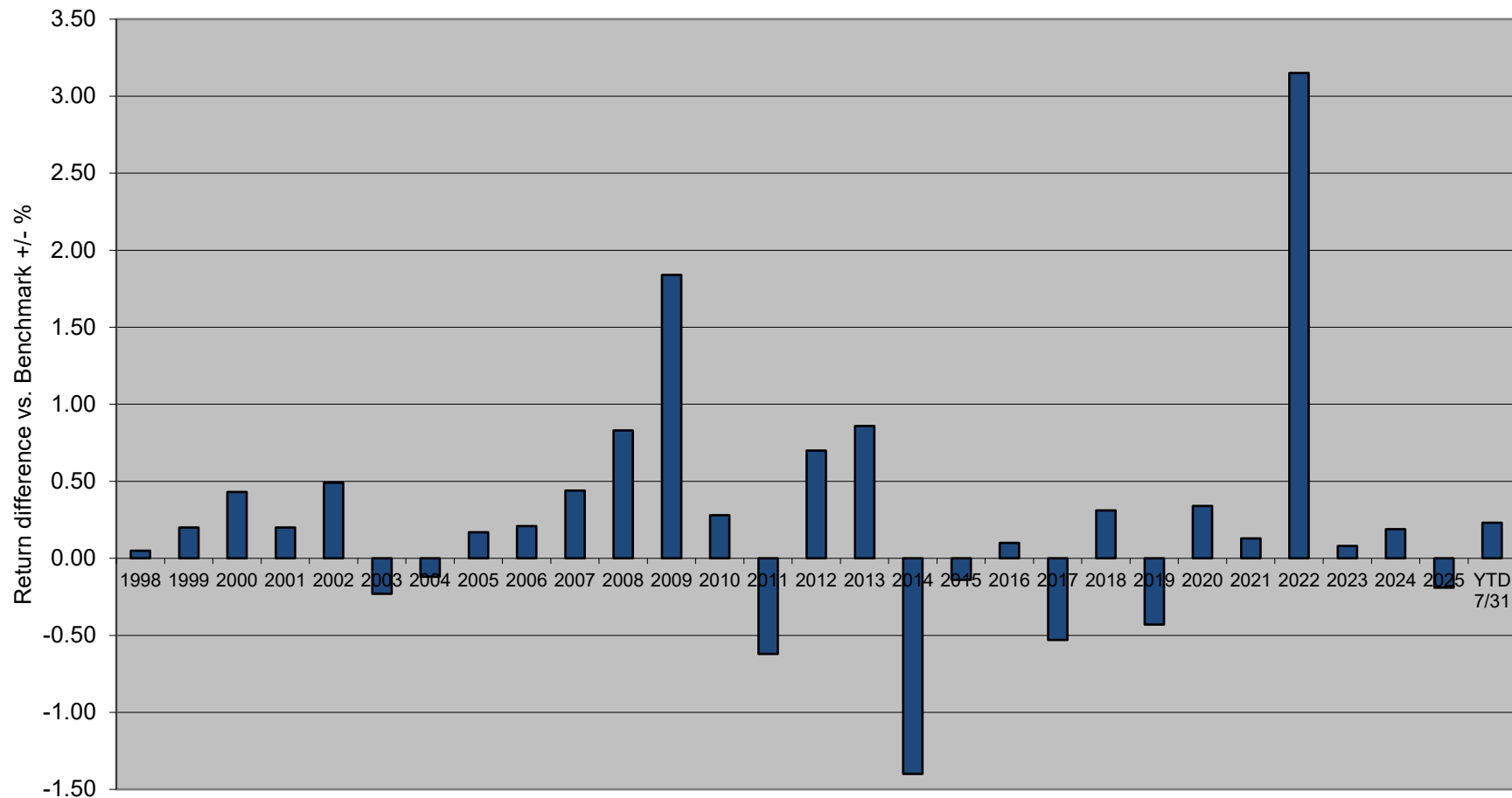


Selected Issuer Snapshot

| Name      | Ticker | % Core | % Index | Rating | 10Y OAS (bp) |
|-----------|--------|--------|---------|--------|--------------|
| Amazon    | AMZN   | 1.29%  | 1.79%   | AA3    | 84           |
| Alphabet  | GOOGL  | 0.54%  | 0.83%   | AA2    | 78           |
| Meta      | META   | 1.05%  | 1.59%   | AA3    | 110          |
| Microsoft | MSFT   | 0.64%  | 0.57%   | AAA    | 41           |
| NVIDIA    | NVDA   | 0.21%  | 0.39%   | AA2    | 88           |
| Oracle    | ORCL   | 0.80%  | 0.76%   | BBB2   | 207          |
| SpaceX    | SPCX   | 0.10%  | 0.17%   | BBB1   | 201          |
| Total     |        | 4.63%  | 6.10%   |        |              |

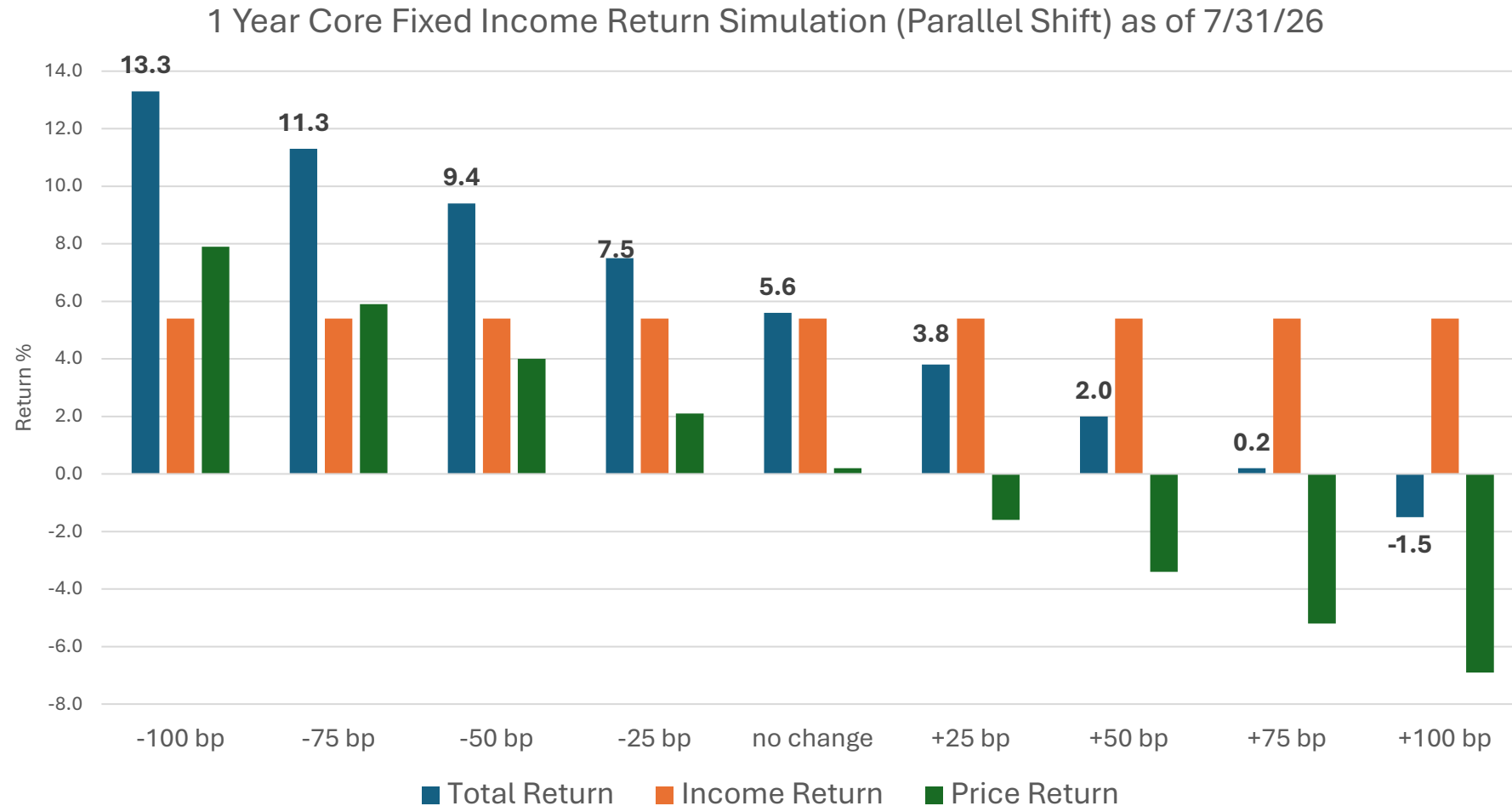


## Core Fixed Income Relative Performance vs. ICE BOAML Benchmark by Calendar Year





## Fixed Income Return Expectations





## Disclaimer

BOFAML IS LICENSING THE BOFAML INDICES “AS IS,” MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE BOFAML INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THEIR USE, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND THE DEPARTMENT OF STATE TREASURER, OR ANY OF ITS PRODUCTS OR SERVICES.



**BRADFORD B. BRINER**  
STATE TREASURER OF NORTH CAROLINA